



Thrift Savings Plan BULLETIN

for Service TSP Representatives

02-U-22

Subject: Processing Thrift Savings Plan Loan Payments in the New Record Keeping System

Date: July 25, 2002

This bulletin outlines the procedures that services must use to report Thrift Savings Plan (TSP) loan payments to the TSP after the new record keeping system is implemented in September 2002. Although the two methods of reporting loan payments will remain the same as the current methods, the loan payment record and Form TSP-U-2-L, Certification of Transfer of Funds and Journal Voucher for Loan Payments, which must be used by payroll offices that report loan payments by the journal voucher method, have been modified.

Section IV of this bulletin also contains a new requirement which is effective immediately.

I. Service Responsibilities

- A. Services must deduct loan payments from the pay of their participants and report the payments to the TSP, as discussed in Section II of this bulletin.
- B. Services must stop loan payments for a participant upon receiving a legal document showing that the participant has filed a **chapter 13** bankruptcy petition. As discussed in Section IV of this bulletin, **this is a new requirement that is effective immediately** (i.e., services should not wait until September 2002 to implement this requirement).

II. Deducting and Submitting Loan Payments

- A. Deducting loan payments

When a TSP loan is disbursed, the participant's payroll office will receive the Loan Status Report (Report TSP 19401) to show the loan payment amount that

(continued on next page)

Inquiries: Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

Chapter: This bulletin may be filed in Chapter 7, Loan Program.

must be deducted from the participant's pay.¹ If a loan is reamortized, the payroll office will receive Report TSP 19401 to show the new loan payment amount. When the loan is paid in full, the payroll office will receive Report TSP 19401 to show a loan payment amount of \$0.

Accordingly, the payroll office must make the deductions from the participant's pay and submit loan payments to the TSP each pay period. If the loan payment amount is \$0, the payroll office must stop the loan payment deductions. If, however, a payroll office submits a loan payment for a participant whose loan is paid in full, the TSP will refund the payment directly to the participant.

B. Submitting loan payments

To submit payments to the TSP, payroll offices may use either the discretionary allotment method or the journal voucher method.

1. Discretionary allotment method

Loan payments submitted by the discretionary allotment method are reported on an agency's payroll file in accordance with procedures administered by the Department of Treasury's Financial Management Service. The payments are made to the TSP by an electronic transfer of funds via a Federal Reserve Bank (FRB).

There are no changes to this method of submitting loan payments. The record format for the payroll file ([Attachment 1](#)), which is administered by the Department of Treasury, has not changed.

2. Journal voucher method

Loan payments submitted by the journal voucher method are reported on loan payment records, and the funds are transferred from services' clearing accounts to the TSP.² The loan records must be accompanied by Form TSP-U-2-L and the header and trailer records.

a. Loan payment record

(1) Purpose

The loan payment record (Attachment 2) reports a participant's loan payment amount. If a participant has two outstanding loans, the loan payments must be reported on separate loan payment records.

¹ See TSP Bulletin 02-U-17, dated June 12, 2002, for more information about this report.

² There are special procedures for remitting the funds for agencies that do not have clearing accounts.

(2) Changes to loan payment record

The last “filler” field (58-80) is now a “service use only” field. Payroll offices may enter any data they choose in this field or they may leave this field blank. If the field contains data, this data will be shown on breakage reports that the payroll office receives. (See TSP Bulletin 02-U-17 for more information about reports.)

(3) Determining “as of” date

If the record is reporting a loan payment that is being deducted from the participant’s salary for the current pay date (as reported on the header record and journal voucher accompanying the submission), the “as of” date should be blank.

If, however, the record is reporting a loan payment that had been deducted from the participant’s salary on an earlier pay date but was not reported or was not processed by the TSP then because the record contained errors, the “as of” date is the pay date that the payment was deducted. Such payments will be referred to as “late loan payments.”

b. Header and trailer records – loan payments

Attachments 3 and 4 are the header and trailer records that must accompany journal voucher submissions. There are no changes to the header and trailer records for the new system.

c. Form TSP-U-2-L

- (1) Loan payment records submitted by the journal voucher method must be accompanied by Form TSP-U-2-L (Attachment 5) to certify the accuracy of the data on the records and to authorize the transfer of funds from the payroll office to the TSP.
- (2) The certification on Form TSP-U-2-L has been changed to acknowledge that the TSP will calculate breakage for late loan payments and if the posting date is more than 2 business days after the “current pay date” for current loan payments (if the late posting is not due to record keeper processing delay). There are no other changes to this form.

III. Processing Service Submissions

A. Investing loan payments

The TSP will invest all loan payments according to the participant's contribution allocation on the posting date. Loan payments submitted by the discretionary allotment method will be posted on the settlement date provided by the FRB and generally will not incur breakage.

Loan payments submitted by the journal voucher method will be posted as soon as the requisite system edits are passed.³ If the submission contains late loan payments or if the submission is late (as described below), the breakage incurred will also be invested according to the participant's contribution allocation on the posting date.

B. Determining breakage (journal voucher submissions)

1. Loan payment records

If the loan payment record contains an "as of" date that is earlier than the current pay date reported on the header record, the TSP will calculate breakage based upon the share prices for the fund(s) in which the participant would have invested on the "as of" date.

2. Late submissions

If loan payments on a journal voucher submission are posted more than 2 business days after the "current pay date" reported on the header record (and journal voucher), the submission is considered late (unless the late posting is due to record keeper processing delay). Generally, in cases of late submissions, the TSP will also calculate breakage on all current loan payments contained in the submission.⁴ The calculation will be based on the share prices for the fund(s) in which the participant would have invested on the reported current pay date.

3. See TSP Bulletin 02-U-21, dated July 25, 2002, for more information about breakage, including its definition and how it is calculated.

³ After the submission is processed, the payroll office will receive Report TSP 1802, Payroll Office Recap of Loan Journal Voucher Processing and, as applicable, other reports discussed in TSP Bulletin 02-U-17.

⁴ If certain unique circumstances prevent timely submission or posting, breakage will not be calculated for current loan payments.

IV. Stopping Loan Payments Due to Chapter 13 Bankruptcy⁵

Effective immediately, services must stop TSP loan payments for a participant upon receiving a legal document showing that the participant has filed a chapter 13 bankruptcy petition, unless the bankruptcy court issues an order that expressly permits the loan payments to continue.

A bankruptcy court order, however, cannot change the timing or the amount of the participant's loan payments. If a court order permits loan payments, the payroll office must deduct and submit the amount that was provided on Report TSP 19401. If a court order permits the payments but changes the amount of the payments or the payment schedule, the agency must stop the payments.

For more information about the effect of a bankruptcy petition on TSP loans, see the Fact Sheet, Bankruptcy Information, which is available from the TSP Web site at www.tsp.gov.

V. Other Changes to TSP Loan Payment Rules

- A. Participants may make payments by submitting checks directly to the TSP.

After the new record keeping system is implemented, participants may also make loan payments by submitting checks directly to the TSP. These direct payments will be in addition to the payments that are required through payroll deduction; the payroll office must still continue to deduct and submit the amount that was provided on Report TSP 19401.

- B. Participants may voluntarily reamortize their loans with no restriction on the number of reamortizations.

After the new record keeping system is implemented, participants will no longer be restricted to one voluntary reamortization per loan. As explained in the booklet *TSP Loan Program*, participants may elect to decrease or extend their loan repayment period, within the parameters of the TSP minimum and maximum repayment periods. If they decrease the period, their loan payments will increase; if they increase the period, their loan payments will decrease. When a loan is reamortized, the payroll office will receive the new loan payment amount on Report TSP 19401.

- C. Participants who miss payments will be subject to the latest Internal Revenue Service (IRS) rules on missing payments.

⁵ A chapter 7 bankruptcy action does **not** affect a participant's obligation to repay a TSP loan. If a participant is a debtor in a chapter 7 bankruptcy action, the payroll office must continue to deduct and report TSP loan payments for the participant.

The TSP will implement the revised IRS rules regarding missing loan payments when it implements the new record keeping system.⁶ Consequently, if in the new record keeping system a participant misses a loan payment in one calendar quarter of the year, the TSP must declare a taxable distribution of the loan at the end of the following calendar quarter **unless** the participant makes up the missing amount (by submitting a check to the TSP) **or** unless the TSP is notified that the participant is in an approved nonpay status (as explained in the Fact Sheet, Effect of Nonpay on TSP Participation, which will be updated for the new record keeping system by the time of its implementation).



PAMELA-JEANNE MORAN
Deputy Director
Office of External Affairs

Attachments: 1-FRB Record Format
2-Loan Payment Record
3-Header Record
4-Trailer Record
5-Form TSP-U-2-L, Certification of Transfer of Funds and Journal Voucher
for Loan Payments

⁶ See the proposed regulations at 5 C.F.R. part 1655, which were published in the *Federal Register* on June 25, 2002, for more information about this.

FRB Record Format for TSP Loan Payments (PPD - Entry Detail Record)

FD TSPS130-FRB-FILE

LABEL RECORDS ARE STANDARD

RECORD CONTAINS 94 CHARACTERS

RECORDING MODE IS F

BLOCK CONTAINS 0 RECORDS.

01 FRB-RECORD.

05 FRB-DETAIL-RECORD.

10	FRB-TYPE-CODE	PIC 9(01).	("6" - Detail Record)
10	FRB-TRANS-CODE	PIC 9(02).	("32" - Loan Payment)
10	FRB-TRANS-ROUT-NO	PIC X(08).	("06573622" - TSP Routing Transit Number (RTN))
10	FRB-TRANS-ROUT-CHK	PIC 9(01).	("5" - Check digit for TSP RTN)
10	FRB-DFI-ACCT-NO.		(Loan account number)
15	FRB-DFI-ACCT-7	PIC X(07).	(first seven characters - numeric)
15	FRB-DFI-ACCT-8	PIC X(01).	(eighth character - alpha)
15	FRB-DFI-ACCT-9	PIC X(01).	(not used by TSP - leave blank)
15	FRB-DFI-REST	PIC X(08).	(not used by TSP - leave blank)
10	FRB-DTL-AMT	PIC 9(8)V99.	(Loan payment amount)
10	FRB-IND-ID-NO.		
15	FRB-IND-ID-NO-SSN	PIC 9(09).	(Social Security number)
15	FRB-IND-ID-NO-PAY	PIC X(06).	(first six characters of payroll office number)
10	FRB-IND-NAME	PIC X(22).	(Member's name - not edited by the TSP)
10	FRB-DISC-DATA	PIC X(02).	(last two characters of payroll office number)
10	FRB-ADDENDA-ID	PIC 9(01).	("0" - no addenda records)
10	FRB-TRACE-NO	PIC 9(15).	(positions 0-8 - RTN of originator positions 9-15 - Unique number in ascending sequence)

Uniformed Services Loan Payment Record - L7

APPLICATION			FILE ORGANIZATION				RCD SIZE	BLOCK SIZE		
THRIFT SAVINGS PLAN SYSTEM			FIXED BLOCK				80			
DESCRIPTION	FORMAT	9(09)	9(04)	9(02)	9(02)	9(04)	9(02)	9(02)	X(02)	
TSP Loan Payment Record RECORD NUMBER "L7"	D A T A	SSN	Date Of Birth			As Of Date			Record Type "L7"	
			Year	Month	Day	Year	Month	Day		
	LENGTH	9	4	2	2	4	2	2	2	
	POS	01-09	10-13	14-15	16-17	18-21	22-23	24-25	26-27	

X(08)	S9(05)V99	X(02)	X(02)	X(11)	X(23)
TSP Loan Account Number	Loan Payment Amount	Department Code	Agency Code	Filler	Service Use Only
8	7	2	2	11	23
28-35	36-42	43-44	45-46	47-57	58-80

Uniformed Services Header Record (Loan Payments)

APPLICATION		FILE ORGANIZATION			RCD SIZE		BLOCK SIZE	
THRIFT SAVINGS PLAN SYSTEM		FIXED BLOCK			80			
DESCRIPTION	FORMAT	X(04)	X(06)	9(04)	9(02)	9(02)	9(08)	X(30)
FORM TSP-U-2-L Header Record	D A T A	"LHD7"	Journal Voucher Number	Current Pay Date			Payroll Office Number	Payroll Office Contact Name
				Year	Month	Day		
	LENGTH	4	6	4	2	2	8	30
	POS	01-04	05-10	11-14	15-16	17-18	19-26	27-56

9(03)	9(03)	9(04)	X(14)
Payroll Office Contact Phone Number			FILLER
Area Code	Exchange	Number	
3	3	4	
57-59	60-62	63-66	



THRIFT SAVINGS PLAN

CERTIFICATION OF TRANSFER OF FUNDS AND JOURNAL VOUCHER FOR LOAN PAYMENTS

TSP-U-2-L

I. IDENTIFICATION

To: Thrift Savings Plan National Finance Center P.O. Box 61500 New Orleans, LA 70161-1500 Telephone: (504) 255-5110 Fax Number: (504) 255-4132		1. From:	
2. Payroll Office Number	3. Journal Voucher Report Number <u>L</u>	4. Current Pay Date (mm/dd/yyyy)	5. Type of Media <input type="checkbox"/> Electronic Submission <input type="checkbox"/> Tape <input type="checkbox"/> Disk
6. Reel Number	7. Reel Date (mm/dd/yyyy)	8. Back-up Number (If applicable)	9. Back-up Date (mm/dd/yyyy)

II. RECORDS SUBMITTED

10. Number of Loan Payment Records _____ 11. Total Loan Payment Amount \$ _____

III. CERTIFICATION

I certify that (1) prudent measures have been taken to ensure that the TSP transactions associated with this voucher are correct according to applicable law and TSP procedures; and (2) the amount in Block 11 is available to be credited to the TSP receipt account.

In addition, I understand that (1) if this payroll submission reports late loan payments, the TSP System will calculate the associated breakage and charge this agency's Treasury account with the amount calculated; and (2) if this payroll submission is processed more than two business days after the "Current Pay Date," the TSP System will calculate breakage on current loan payments as of the "Current Pay Date" and charge this agency's Treasury account with the amount calculated. Such additional charges will be reversed only if it is established that the late processing was caused by TSP record keeper error.

12. _____ Typed or Printed Name of Authorized Administrative or Certifying Officer	14. () _____ Telephone (Area Code and Number)
13. _____ Signature of Authorized Administrative or Certifying Officer	15. () _____ Telefax (Area Code and Number)
	16. _____ Date Certified

INSTRUCTIONS

Type the requested information.

- Item 1** identifies the address of the payroll office responsible for submitting the loan payment records.
- Item 2** identifies the number of the payroll office responsible for submitting the loan payment records.
- Item 3** is the 6-position report number. The first position is "L". The next two positions represent the calendar year of the reporting pay period. The last three positions represent a sequential number beginning with 001.
- Item 4** is the agency's established pay date for this submission.
- Item 5** should indicate whether the data are submitted electronically or on magnetic tape or diskette.
- Item 6 through Item 9** should be completed if the detail data are submitted on magnetic tape.
- Item 10** should equal the number of loan payment records submitted with this journal voucher.
- Item 11** should equal the total dollar amount of all loan payment records submitted with this journal voucher.
- Item 12 through Item 16** must be completed. This form must be certified by the agency in order to be processed. Forms that are not signed will be returned unprocessed.